

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7694

Investigation into the Rates of Central Vermont Public)
Service Corporation)

Order entered: 4/26/2011

ORDER APPROVING COMPLIANCE FILING AND CLOSING DOCKET

Central Vermont Public Service Corporation ("CVPS") operates under an Alternative Regulation Plan ("Plan"). Under the Plan, CVPS may submit what is termed a "Base Rate Filing" each November 1, for effect on a bills-rendered basis January 1 of the following year. The Plan also defines certain parameters for the Base Rate Filing.

On December 21, 2010, CVPS and the Vermont Department of Public Service ("DPS") filed a Memorandum of Understanding ("MOU") that provided for changes to the Plan then in effect, as well as resolved issues related to the 2011 Base Rate Filing then pending before the Public Service Board ("Board").¹

The Board noted that it could not conduct a meaningful assessment of the issues raised by the MOU in six business days (the time period before the proposed rates were to take effect), particularly given the absence of prefiled testimony supporting the arrangement. However, the Board recognized that both parties supported some level of rate increase effective January 1, 2011, and the Board's review of the proposed tariff changes also suggested that most, if not all, of CVPS's rate increase request under the existing terms of the Plan was appropriate. Therefore, the Board allowed CVPS's tariff filing of 7.46 percent, which conformed to the Plan then in effect, to take effect for bills rendered on and after January 1, 2011. In addition, the Board opened this investigation into CVPS's existing rates to enable the Board to assess whether further adjustment was necessary.²

1. The MOU included new tariffs that reflected a 7.67 percent increase in rates, effective with bills rendered January 1, 2011.

2. Docket 7694, Order of 12/29/10 at 3.

On March 3, 2011, in Docket 7627, the Board approved certain amendments to CVPS's Plan that were largely consistent with the terms of the MOU, except that the Board approved a lower return on equity for CVPS for 2011 than that contained in the MOU.³ In the March 3 Order, the Board noted that this decision, as well as the fact that CVPS made its full investment in Vermont Electric Power Company, Inc. ("VELCO") and Vermont Transco LLC ("Transco") in 2010 as required by the MOU, would have ramifications for CVPS's current rates that would need to be addressed in Docket 7694.⁴

On April 6, 2011, the Board held a status conference in Docket 7694. At the status conference, CVPS stated that it believed no rate change would be needed to its current rates to reflect the Board's Order in Docket 7627 because the rate effect of the different return on equity would be offset by the rate effect of the additional investment in VELCO and Transco. However, certain summary schedules included in CVPS's Base Rate Filing would need to be updated in order to accurately administer the Plan on a forward-going basis.

On April 20, 2011, CVPS made a compliance filing that updated those summary schedules. According to the cover letter accompanying the compliance filing, the updated summary schedules are intended to amend the 2011 Base Rate Filing and to be used in the computation of the 2011 earnings sharing mechanism and the 2012 non-power-cost cap calculation. In addition, the cover letter notes that the filing confirms that no rate change is necessary to implement the Board's Order in Docket 7627. CVPS's filing states that the DPS concurs in the contents of the letter.

After reviewing the compliance filing, we hereby approve it. This compliance filing amends the 2011 Base Rate Filing and shall be used in the computation of the 2011 earnings sharing mechanism and the 2012 non-power-cost cap calculation.

Since all issues in this proceeding are now resolved, this docket shall be closed.

3. The Board approved a return on equity for CVPS for 2011 of 9.45 percent. The MOU provided for a return on equity for CVPS for 2011 of 9.59 percent. CVPS's original 2011 Base Rate Filing included a return on equity of 9.18 percent.

4. Docket 7627, Order of 3/3/11 at 2.

SO ORDERED.

Dated at Montpelier, Vermont, this 26th day of April, 2011.

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|------------------------|---|----------------|
| <u>s/James Volz</u> |) | |
| |) | PUBLIC SERVICE |
| |) | |
| <u>s/David C. Coen</u> |) | BOARD |
| |) | |
| |) | OF VERMONT |
| <u>s/John D. Burke</u> |) | |

OFFICE OF THE CLERK

FILED: April 26, 2011

ATTEST: s/Judith C. Whitney
Deputy Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.